

Message Text

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21

ORIGIN EA-14

INFO OCT-01 ISO-00 IO-14 AF-10 ARA-16 EUR-25 NEA-11 RSC-01

CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10

PA-04 PRS-01 SPC-03 SS-20 USIA-15 AID-20 COME-00

EB-11 FRB-02 TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06

SIL-01 OMB-01 INT-08 FEA-02 /240 R

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IO/UNP:CSYLVESTER

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EA/EP:MRGEBER

EA/RA:RNETHERCUT

L/EA:TJOHNSON

L/UNA:SURENA

INT/DOTA:SCARPENTER

INT/OMSN:JWILSON

EA/J:WPIEZ

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R 231647Z JAN 74

FM SECSTATE WASHDC

TO AMEMBASSY TOKYO

AMEMBASSY CANBERRA

AMEMBASSY WELLINGTON

AMEMBASSY MANILA

AMEMBASSY TAIPEI

AMEMBASSY SEOUL

AMEMBASSY SUVA

USMISSION USUN NEW YORK

HICOMTERPACIS SAIPAN

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMCONSUL AUCKLAND

CINCPAC HONOLULU HI

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CINCPACREP GUAM/TTPI

COMTWELVE SAN FRAN CALIF
AMCONSUL SYDNEY
AMCONSUL MELBOURNE
AMCONSUL OSAKA KOBE

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E.O. 11652 N/A
TAGS: US, TQ, EGEN
SUBJECT: MICRONESIA (TTPI): NEW FOREIGN INVESTMENT POLICY

FROM STATE AND INTERIOR/DOIA

SAIPAN FOR HICOM AND STATUS LNO TRENT
CINCPAC ALSO FOR POLAD
COMTWELVE FOR AMBASSADOR WILLIAMS

1. AS ADDRESSEES AWARE, US HAS ADMINISTERED THE TRUST TERRITORY OF THE PACIFIC ISLANDS (MICRONESIA OR TTPI) SINCE 1947 UNDER TRUSTEESHIP AGREEMENT WITH UN SECURITY COUNCIL. ARTICLE 8 OF THAT AGREEMENT REQUIRES THAT US EXTEND "MOST FAVORED NATION" TREATMENT TO NATIONALS, COMPANIES, AND ASSOCIATIONS OF UN MEMBER STATES (TREATMENT NEED NOT BE AS FAVORABLE AS THAT EXTENDED TO US INVESTORS) WITH RESPECT FOREIGN INVESTMENT IN MICRONESIA, "SUBJECT TO THE REQUIREMENTS OF SECURITY, AND THE OBLIGATION TO PROMOTE THE ADVANCEMENT OF THE INHABITANTS" OF MICRONESIA.

2. SINCE 1947 US POLICY HAS PROVIDED FOR NEGATIVE APPLICATION OF ARTICLE 8, I.E. NATIONALS AND COMPANIES OF ALL UN MEMBER STATES OTHER THAN US HAVE NOT BEEN AUTHORIZED TO INVEST OR DO BUSINESS (OTHER THAN TRADE) IN MICRONESIA. (NAURU, A NON-UN MEMBER STATE, HAS BEEN PERMITTED TO INVEST ON A SMALL SCALE.)

3. IN RESPONSE TO REQUESTS FROM CONGRESS OF MICRONESIA, AND DISTRICT LEGISLATURES OF MICRONESIA, AND TO RECOMMENDATIONS BY UN TRUSTEESHIP COUNCIL, USG HAS RECENTLY REVIEWED EXISTING POLICY. AS A CONSEQUENCE OF THAT REVIEW, IT IS NOW US POLICY TO PERMIT FOREIGN
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INVESTMENT IN MICRONESIA BY UN MEMBER AND NON-MEMBER STATES ON A "MOST-FAVORED NATION" BASIS, SUBJECT TO THE PROVISIONS OF ARTICLE 8 OF THE TRUSTEESHIP AGREEMENT QUOTED IN PARA ONE ABOVE, AND COMPLIANCE WITH THE APPLICABLE LAWS AND REGULATIONS OF THE TRUST TERRITORY AND OF ITS SIX DISTRICTS. THE NEW POLICY WAS ANNOUNCED BY SECRETARY OF THE INTERIOR ROGERS MORTON ON JANUARY 23 AND WILL COME INTO EFFECT ON APRIL 1. FOLLOWING ARE THE

RELEVANT PORTIONS OF THAT ANNOUNCEMENT CONTAINED IN A POLICY STATEMENT ADDRESSED TO THE PEOPLE AND LEADERS OF MICRONESIA: BEGIN TEXT.

TO PROMOTE FURTHER CONTROL BY MICRONESIANS OVER THEIR OWN ECONOMIC AFFAIRS, I HAVE ORDERED THE LIFTING OF RESTRICTIONS ON FOREIGN INVESTMENT IN THE TRUST TERRITORY EFFECTIVE APRIL 1, 1974. FROM THAT DATE, INDIVIDUALS AND COMMERCIAL INVESTORS FROM ANY OF THE WORLD'S COMMUNITY OF NATIONS WILL BE PERMITTED TO APPLY FOR BUSINESS PERMITS IN MICRONESIA. MORE SPECIFICALLY, EACH DISTRICT ECONOMIC DEVELOPMENT BOARD WILL BE ABLE TO CONSIDER BUSINESS APPLICATIONS FROM ANY NATION WITHIN THE GUIDELINES OF YOUR OWN FOREIGN INVESTORS BUSINESS PERMIT ACT. UNDER THE TERMS OF THAT ACT THE HIGH COMMISSIONER WILL HAVE FINAL AUTHORITY TO REVIEW EACH RECOMMENDATION OF THE DISTRICT ECONOMIC DEVELOPMENT BOARDS. I HAVE INSTRUCTED THE HIGH COMMISSIONER TO BASE HIS REVIEW ON THE SECURITY OF THE AREA AND THE GENERAL WELFARE AND DEVELOPMENT OF THE MICRONESIAN PEOPLE.

I WOULD ASK THE CONGRESS OF MICRONESIA TO REVIEW CAREFULLY THE RAMIFICATIONS OF THE NEW POLICY ON FOREIGN INVESTMENT. AS THE KEEPERS OF THE TRUST OF

THE MICRONESIAN PEOPLE, THE CONGRESS MAY DECIDE THAT ADDITIONAL CONTROLS OR SAFEGUARDS ARE NECESSARY TO PROTECT MICRONESIAN PRIVATE ENTERPRISE. END TEXT

4. AS A PRACTICAL MATTER, FOREIGN INVESTORS, IN ORDER TO DO BUSINESS IN MICRONESIA, WILL REQUIRE BUSINESS PERMITS. UNDER EXISTING MICRONESIAN LEGISLATION, THESE ARE ISSUED BY DISTRICT ECONOMIC DEVELOPMENT BOARDS WHICH ARE UNCLASSIFIED

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CHARGED WITH ACCEPTING, REVIEWING, AND APPROVING OR DISAPPROVING SPECIFIC FOREIGN INVESTMENT PROPOSALS. THEY MAY ALSO NEGOTIATE THE SPECIFIC TERMS OF A PROPOSED INVESTMENT VENTURE. FINAL REVIEW AND APPROVAL OR DISAPPROVAL OF A FOREIGN INVESTMENT PROPOSAL WHETHER FROM THE US OR ELSEWHERE) IS, HOWEVER, THE RESPONSIBILITY OF THE HIGH COMMISSIONER OF THE TRUST TERRITORY WHO MUST DETERMINE WHETHER THE PROPOSED VENTURE IS CONSISTENT WITH: (A) US OBLIGATIONS UNDER THE TRUSTEESHIP AGREEMENT (ESPECIALLY THE ABOVE QUOTED PROVISION OF ARTICLE 8, AND THE PROVISIONS OF ARTICLE 6 WHICH REQUIRE THAT THE USG PROMOTE THE ECONOMIC ADVANCEMENT AND SELF-SUFFICIENCY OF THE MICRONESIANS, REGULATE THE USE OF MICRONESIAN NATURAL RESOURCES, AND PROTECT THE MICRONESIANS AGAINST THE LOSS OF THEIR LANDS AND RESOURCES); AND, (B) THE

LAWS AND REGULATIONS OF THE TRUST TERRITORY.

5. MARINE RESOURCES, THE TOURISM INDUSTRY, AND FOOD PROCESSING PRESENTLY APPEAR TO HAVE THE HIGHEST POTENTIAL FOR DEVELOPMENT BY INVESTORS.

6. PARTIES INTERESTED IN INVESTING IN THE TRUST TERRITORY SHOULD WRITE TO THE DIRECTOR OF RESOURCES AND DEVELOPMENT, OFFICE OF THE HIGH COMMISSIONER, TRUST TERRITORY OF THE PACIFIC ISLANDS, SAIPAN, MARIANA ISLANDS, 96950 FOR INFORMATION ON INVESTMENT OPPORTUNITIES, GUIDELINES, PROCEDURES, AND INCENTIVES.

7. FOR TOKYO, WELLINGTON, CANBERRA, MANILA, TAIPEI, SEOUL, SUVA. PLEASE ADVISE YOUR HOST GOVERNMENTS ASAP OF FOREGOING CHANGE OF POLICY, DRAWING ON ABOVE INFORMATION. YOU SHOULD ALSO ADVISE CHAMBERS OF COMMERCE AND OTHER APPROPRIATE PRIVATE SECTOR ORGANIZATIONS, AND (WHEN AVAILABLE) PASS TO SAME ORGANIZATIONS INVESTMENT INFORMATION KITS TO BE PROVIDED BY TTPI ADMINISTRATION, (SEE PARA 9 BELOW).

8. FOR USUN. PLEASE ADVISE UN OF ABOVE POLICY CHANGE VIA NOTE VERBALE TO UNSYG WHICH SHOULD REQUEST THAT NOTE BE CIRCULATED AS UN TRUSTEESHIP COUNCIL DOCUMENT.

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9. FOR TTPI HICOM. DIRECTOR RESOURCES AND DEVELOPMENT SHOULD GIVE HIGHEST PRIORITY TO DEVELOPMENT SOONEST OF INVESTMENT INFORMATION KIT FOR RESPONSE TO DIRECT INQUIRIES AND FOR DISTRIBUTION BY AMERICAN EMBASSIES IN TOKYO, WELLINGTON, CANBERRA, MANILA, TAIPEI, SEOUL AND SUVA. KITS SHOULD BE AIR MAILED WITH COVERING NOTE REFERENCING THIS TELEGRAM AND BE ADDRESSED TO EMBASSY ECONOMIC OFFICER IN EACH INSTANCE (STATUS LNO CAN ASSIST IN DETERMINING APPROPRIATE ADDRESSEES). SUGGEST KITS CONTAIN BACKGROUND INFORMATION ON TTPI, DATA ON AREAS OF INVESTMENT OPPORTUNITY, AND DETAILS ON INVESTMENT APPLICATION PROCEDURES, GUIDELINES, AND INCENTIVES. SUGGEST 25 KITS TO EACH OF THE ABOVE EMBASSIES EXCEPT SUVA AND MANILA WHICH SHOULD RECEIVE 10 EACH. YOU SHOULD ALSO (DRAWING ON THE ABOVE, SEC INTERIOR'S STATEMENT, AND APPROPRIATE BACKGROUND MATERIAL ON TTPI) DEVELOP PRESS RELEASES FOR IMMEDIATE DESPATCH TO APPROPRIATE AREA NEWSPAPERS AND MAGAZINES. SUGGEST YOU TARGET GUAM, HONOLULU, WELLINGTON, TOKYO, KOBE, OSAKA, SYDNEY, MELBOURNE, MANILA, TAIPEI, AND SEOUL. PACIFIC ISLANDS MONTHLY MAGAZINE (SYDNEY, AUSTRALIA),

AND PACIFIC ISLANDS TRADE WEEKLY (ALSO SYDNEY) SHOULD
BE GIVEN SPECIAL ATTENTION. YOU MAY WISH, IN COORDINATION
WITH STATUS LNO, REQUEST ASSISTANCE US EMBASSIES AND
CONSULATES WITH RESPECT DISSEMINATION YOUR PRESS
RELEASE.

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